Department of Finance Canada

Departmental Performance Report

2009–10

Original signed by

James M. Flaherty
Minister of Finance

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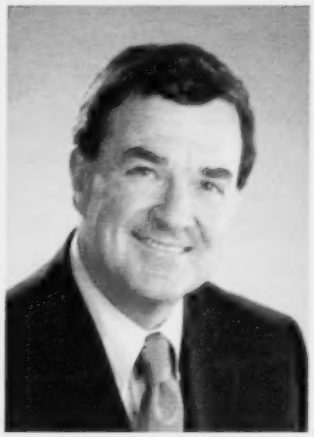
Minister's Message



The Honourable James M. Flaherty

For the Department of Finance Canada, the 2009–10 fiscal year was, like the previous 12 months, characterized by profound economic volatility and uncertainty. This performance report highlights the Department's important work over the past year to address the many remaining challenges posed by the global economic crisis.

In 2009–10, the Department of Finance Canada continued its efforts to improve Canada's economic fundamentals by completing the first year of Canada's Economic Action Plan. In doing so, the Department focused on four key operational priorities: sound fiscal management, sustainable economic growth, sound social policy, and effective international influence.

To ensure sound fiscal management, the Department closely monitored economic and fiscal developments and played a major role in helping the Government of Canada manage the implementation of Canada's Economic Action Plan, a two-year, $62-billion package of stimulus measures taken in response to the deepest synchronized recession since World War II.

Among the Department's other achievements in helping to provide support to the economy were contributing to the Extraordinary Financing Framework and the Business Credit Availability Program, both of which support continued growth and competitiveness.

By consulting with various stakeholders and providing analysis and advice, the Department develops sound social policy that helps support the quality of Canadian communities and equality of opportunity for all citizens. For example, during 2009–10, the Department brought forward much-needed measures—such as infrastructure stimulus and enhanced training—to further build jobs and growth for the economy of tomorrow.

The final operational objective, effective international influence, contributes to policies and measures designed to strengthen global economic growth and stability. During 2009–10, the Department was involved in such initiatives as fulfilling Canada's commitments under the G7 Plan of Action to stabilize financial markets, restore the flow of credit to support global economic growth, and help prevent future crises. In addition, the Department was responsible for organizing the informal and productive meeting of G7 Finance Ministers and Central Bank Governors in Iqaluit in February 2010.

Canada is emerging from this difficult period in a stronger position than its G7 counterparts. Through the initiatives highlighted in this performance report, and many others, the Department is playing a key role in strengthening this country's economic fundamentals for the benefit of all Canadians.

Section I: Departmental Overview

Raison d'être

The Department is committed to making a difference for Canadians by helping the Government of Canada develop and implement strong and sustainable economic, fiscal, tax, social, security, international, and financial sector policies and programs. It plays an important role in ensuring that government spending is focused on results and delivers value for taxpayer dollars. The Department interacts extensively with other federal departments and agencies and plays a pivotal role in the analysis and design of public policy across a wide range of issues affecting Canadians.

Responsibilities

The Department of Finance Canada's responsibilities include the following:

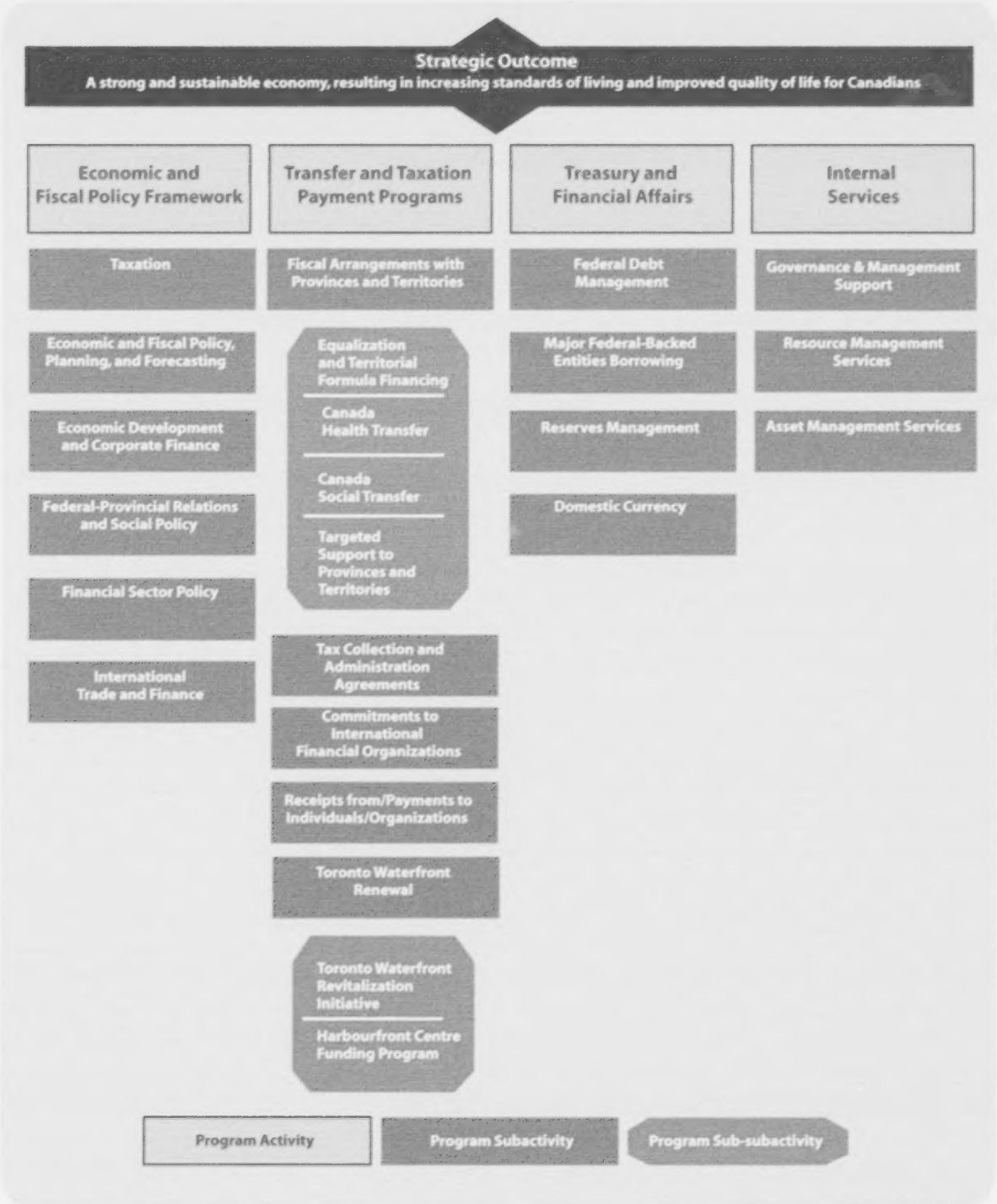
- preparing the federal budget and fall economic and fiscal projection updates;
- developing tax and tariff policy and legislation;
- managing federal borrowing on financial markets;
- administering major transfers of federal funds to the provinces and territories;
- developing regulatory policy for the country's financial sector;
- representing Canada in various international financial institutions and groups; and
- working with other departments to ensure that the government's agenda is carried out efficiently and that ministers are supported with first-rate analysis and advice.

Strategic Outcome and Program Activity Architecture

The Department of Finance Canada provides effective economic leadership through its clear focus on one strategic outcome:

> A strong and sustainable economy, resulting in increasing standards of living and improved quality of life for Canadians.

The Department's current program activity architecture (PAA) is represented in the figure below.


Strategic Outcome
A strong and sustainable economy, resulting in increasing standards of living and improved quality of life for Canadians
Economic and Fiscal Policy Framework
Transfer and Taxation Payment Programs
Treasury and Financial Affairs
Internal Services
Taxation
Economic and Fiscal Policy, Planning, and Forecasting
Economic Development and Corporate Finance
Federal-Provincial Relations and Social Policy
Financial Sector Policy
International Trade and Finance
Fiscal Arrangements with Provinces and Territories
Equalization and Territorial Formula Financing
Canada Health Transfer
Canada Social Transfer
Targeted Support to Provinces and Territories
Tax Collection and Administration Agreements
Commitments to International Financial Organizations
Receipts from/Payments to Individuals/Organizations
Toronto Waterfront Renewal
Toronto Waterfront Revitalization Initiative
Harbourfront Centre Funding Program
Federal Debt Management
Major Federal-Backed Entities Borrowing
Reserves Management
Domestic Currency
Governance & Management Support
Resource Management Services
Asset Management Services
Program Activity
Program Subactivity
Program Sub-subactivity

998101-830

Performance Summary

2009–10 Financial Resources ($ millions)

Planned Spending	Total Authorities	Actual Spending
83,240.9	198,611.5	198,384.5

2009–10 Human Resources (Full-time equivalents, FTEs)

Planned	Actual	Difference
765	804	39

Strategic Outcome: A strong and sustainable economy, resulting in increasing standards of living and improved quality of life for Canadians		
Performance Indicators[1]	**Targets[1]**	**2009–10 Performance Summary**
Canada's medium-term fiscal framework	Keep net debt-to-GDP ratio below that of other G7 countries	The decline in Canadian real GDP over the course of the recession, combined with the stimulus measures adopted in Budget 2009, had a negative impact on the debt-to-GDP ratio. Nevertheless, Canada's total government net debt-to-GDP ratio is the lowest of all G7 countries and will continue to be so over the medium term.
Competitiveness, efficiency, and fairness of Canada's tax system	A tax system that raises the required revenue in a manner that compares favourably to other G7 countries	In 2010, as a result of federal and provincial tax changes, Canada's overall tax rate (i.e., marginal effective tax rate) on new business investment will be the lowest in the G7 and below the average of the Organisation for Economic Co-operation and Development (OECD).
Soundness, efficiency, and competitiveness of Canada's financial sector	A healthy, stable financial sector that serves the needs of Canadians	Canada was able to weather the economic storm better than many other countries because of its well-capitalized financial institutions and sound regulation. In 2009–10, Canada's financial sector continued to be widely acknowledged as one of the strongest in the world.

1. Performance indicators and targets presented in the *2009–10 Report on Plans and Priorities* (RPP) have now been adjusted for the 2010–11 RPP to reflect Budget 2009 and subsequent changes to the Department's performance measurement framework.

Program Activity	2008–09 Actual Spending	2009–10				Alignment to Government of Canada Outcomes[1]
		Main Estimates	Planned Spending	Total Authorities	Actual Spending	
	($ millions)					
PA 1: Economic and Fiscal Policy Framework	122.7	61.0	65.1	99.7	90.8	Strong economic growth
PA 2: Transfer and Taxation Payment Programs	48,601.5	50,743.5	50,743.5	51,437.2	51,223.2	All government outcomes
PA 3: Treasury and Financial Affairs	162,075.8	32,018.0	32,389.7	147,021.9	147,021.9	Strong economic growth[2]
PA 4: Internal Services[3]	–	42.6	42.6	52.7	48.6	All government outcomes
Total	**210,800.0**	**82,865.1**	**83,240.9**	**198,611.5**	**198,384.5**	

1. The alignment of program activities to Government of Canada outcomes is discussed in *Canada's Performance 2009–10*.
2. In accordance with input received from the Treasury Board of Canada Secretariat, the Treasury and Financial Affairs program activity has been designated as aligning with the "Strong economic growth" outcome area.
3. Starting with the 2009–10 Main Estimates, the resources for the Internal Services program activity were displayed separately from other program activities; they are no longer distributed among the remaining program activities, as was the case in previous Main Estimates. This has affected the comparability of spending and FTE information by program activity between fiscal years.

Contribution of Priorities to the Strategic Outcome

In 2009–10, the Department of Finance Canada worked to improve Canada's economic situation and prospects by implementing the first year of Canada's Economic Action Plan. The Economic Action Plan's temporary and effective economic stimulus is helping Canadian families and businesses deal with short-term challenges and building Canada's long-term capacity so that when the global recession eases, we will emerge even stronger. The Department of Finance Canada continues to focus on its four key ongoing operational priorities and three management priorities. All of the Department's priorities are linked to its single strategic outcome.

Operational priorities

Sound fiscal management

- Type: Ongoing priority
- Status: Met all expectations for the planned activities and outputs presented in the 2009–10 RPP

Sound fiscal management is fundamental to ensuring that Canada's economic and social infrastructure is sustainable now and in the future. A sound fiscal structure also includes a competitive, efficient, and fair tax system to promote economic growth, create jobs, and boost living standards in a fiscally sustainable manner.

The Department continues to closely monitor economic and fiscal developments and to play the lead role in helping the government manage public resources responsibly and efficiently. The global economic crisis emphasized the importance of maintaining and bolstering Canada's solid fiscal fundamentals. As a result of its financial, economic, and fiscal strengths and the substantial support provided by the Economic Action Plan, Canada weathered the economic downturn better than other major industrialized countries.

The Department did the following:

- contributed to the implementation of Year One of Canada's Economic Action Plan;
- provided ongoing updates on the implementation of Action Plan stimulus measures and analysis of their impact on the Canadian economy;
- provided effective analysis of domestic and international economic activity and the implications of heightened risks for the Canadian economy;
- provided sound advice on activities and expenditures in the context of funding requests; and
- developed a plan to return the budget to balance over the medium term, when the recovery is secure.

Sustainable economic growth

- Type: Ongoing priority
- Status: Met all expectations for the planned activities and outputs presented in the 2009–10 RPP

The Department of Finance Canada is the government's main source of analysis and advice on economic and fiscal matters. The Department helps ensure that policies and programs create the conditions necessary for sustainable long-term economic growth by supporting business investments and research and development. The Department also facilitates government partnerships with the provinces and territories and the private sector in strategic areas that contribute to a strong economy. It also promotes the competitiveness, efficiency, safety, and soundness of Canada's financial sector to ensure that domestic financial markets function well.

The global financial and economic crisis created the need to act promptly and adopt a broad range of economic stimulus measures to mitigate its negative impact on Canadians. Over the course of 2009–10, the Department continued to monitor the international economic situation and moved ahead with the implementation of Year One of Canada's Economic Action Plan, which provides federal stimulus to support sustainable economic growth. The Government of

Canada also took additional steps to help support the continued competitiveness of Canadian businesses.

The Department did the following:

- worked to improve consumer and business access to financing and to strengthen the financial system;
- contributed to the implementation of Year One of the Economic Action Plan, including actions to support businesses and communities, innovation, and infrastructure;
- reported to Canadians on the status and impact of stimulus measures several times during the year;
- invested in a limited number of new, targeted initiatives to build jobs and growth;
- introduced a number of tax measures aimed at reducing red tape, improving Canada's international tax system, and making the tax system fairer by closing tax loopholes; and
- provided high-quality research and effective and sound analysis and advice on economic and policy issues.

Sound social policy framework

- Type: Ongoing priority
- Status: Met all expectations for the planned activities and outputs presented in the 2009–10 RPP

The Department plays a central role in the design and administration of the government's social policies and programs, including transfer payments that support provincial and territorial governments in delivering social services, social assistance, health care, post-secondary education, and programs for children. Through analysis, advice, and consultation with various stakeholders, the Department also helps support the quality of life in Canadian communities and equality of opportunity for all citizens.

The Department did the following:

- provided, in collaboration with other central agencies, advice and analysis on the fiscal and economic implications of the government's social policies and programs related to health care, immigration, employment insurance and pensions, and post-secondary education; its Aboriginal and cultural programs; and its programs for seniors, persons with disabilities, veterans, and children;
- provided advice and analysis on measures to further create jobs and build growth for the economy of tomorrow;
- implemented the changes needed to ensure the sustainability and fairness of major federal transfers flowing from Budget 2009 and Budget 2010, including changes to the Equalization

Program to enhance its fairness and stability and ensure that the growth in payments is aligned with overall economic growth;

- developed measures to provide one-time total transfer protection so that provinces will receive as much support through major transfers in 2010–11 as they did in 2009–10, thereby helping address the short-term challenges provinces face as they emerge from the recession; and
- supported a substantial research effort on retirement income adequacy and undertook extensive consultations on how to ensure the ongoing strength of Canada's retirement income system.

Effective international influence

- Type: Ongoing priority
- Status: Met all expectations for the planned activities and outputs presented in the 2009–10 RPP

The Department contributes to policies and measures designed to maintain secure and open borders, strengthen global growth and stability, advance the country's trade and investment interests, help foster development aimed at reducing global poverty, and advance international standards to prevent abuses to the international financial system, including anti-terrorist financing measures.

In an increasingly competitive and integrated global economy, Canada is recovering from the present economic crisis in a stronger economic and fiscal position than its G7 counterparts. This has enhanced Canada's influence in multilateral discussions on global financial regulatory reform and international policy cooperation.

The Department did the following:

- supported Canada's Global Commerce Strategy by participating in negotiations on market access, trade rules, and investments;
- updated and expanded Canada's tax treaty and tax information exchange agreement networks to facilitate bilateral trade and investment and to fulfill Canada's G20 and OECD commitments to combat international tax evasion;
- provided policy leadership in the lead-up to the G8 and G20 summits;
- fulfilled Canada's commitments under the G7 Plan of Action to stabilize financial markets and restore the flow of credit in support of global economic growth;
- engaged in a coordinated, international effort to address the financial crisis and help prevent future crises, including chairing the Financial Stability Board's working group on implementation;

- developed and promoted policy positions that will lead to effective international cooperation for trade finance; and
- developed initiatives for the more effective use of international assistance and debt management capacity.

Management priorities

Implementation of the 2008–11 Integrated Human Resources Plan

- Type: Ongoing priority
- Status: Met all expectations for the planned activities and outputs presented in the 2009–10 RPP

The continued implementation of the 2008–11 Integrated Human Resources Plan is a priority for the Department, as its capacity to develop sound economic analysis and policy advice depends on the recruitment and retention of a highly skilled and knowledgeable workforce. As a follow-up to this three-year plan, a 2009–10 Human Resources Action Plan was developed to focus greater attention on recruitment, employee development, and employee retention.

The Department did the following:

- developed training on EX staffing and values-based appointments, which was delivered to all executives;
- successfully implemented another round of the annual University Recruitment Program;
- developed branch-specific staffing plans to identify and fill key positions and forecast upcoming staffing requirements;
- administered an employee survey aimed at improving Personal Learning Plan processes and tools; and
- established an Administrative Services Committee to support the learning and development needs of the Department's administrative professionals.

Implementation of the Department's Conflict of Interest Code

- Type: New priority
- Status: Met all expectations for the planned activities and outputs presented in the 2009–10 RPP

It is important for the Department of Finance Canada's personnel to observe the highest standards of professional ethics and conduct. For this reason, the Department has implemented a new Conflict of Interest Code, which brings a more rigorous approach to the assessment and resolution of conflict of interest situations through mandatory annual reporting for all employees. Letters of offer for appointments and deployments to the Department of Finance Canada were also amended to include a reference to the new Conflict of Interest Code. Individuals are

provided with a copy of the document and are requested to complete the related confidential disclosure report.

Transition to dedicated corporate services

- Type: New priority
- Status: Met all expectations for the planned activities and outputs presented in the 2009–10 RPP

Prior to 2009–10, the Department of Finance Canada and the Treasury Board of Canada Secretariat (the Secretariat) had shared corporate administrative services. The Department successfully implemented dedicated departmental corporate administrative services in February 2009 and, as a result of the transition, the Secretariat assumed responsibility to provide a number of shared administrative services to the Department of Finance Canada. In 2009–10, this change was reflected throughout the Department, as the Corporate Services Branch focused on the needs of the Department and created clear stewardship and accountability lines for the services provided.

In 2009–10, the Department and the Secretariat jointly undertook a review of selected services provided by the Secretariat to determine whether any adjustments would be required. As a result of this review, it was decided that the Department of Finance Canada would establish, effective April 1, 2010, its own internal capacity for compensation and benefits services within the Corporate Service Branch.

Fulfilling the Department's gender-based analysis commitment

Throughout 2009–10, the Department continued to fulfill its commitment to conduct gender-based analysis (GBA) on all new spending and tax policy proposals it presented to the Minister of Finance, where appropriate and where data were available. In its capacity as a central agency, the Department played a challenge function role, requiring departments and agencies to consider all relevant factors when developing a policy or program for budget consideration, including gender issues whenever appropriate.

The Department also continued to enhance its integrated GBA framework. The Department has a GBA Champion responsible for promoting GBA, facilitating its conduct, and raising its profile. In 2009–10, the GBA Champion ensured that employees had access to GBA training sessions and introduced a GBA component in the Department's orientation sessions for new employees. Six gender-based analysis training sessions were offered to employees in 2009–10. Examples of high-quality GBAs have also been made available on the Department's intranet.

The Department also worked with Status of Women Canada on implementing the GBA Action Plan, which is the Government of Canada's response to the recommendations made in the *2009 Spring Report of the Auditor General of Canada*.

Risk Analysis

The Department of Finance Canada's capacity to achieve its strategic outcome depends on its ability to manage and mitigate a variety of risks. In 2009–10, the Department continued to identify both operational and management risks and develop corresponding mitigation strategies. Several changes occurred in the Department's operating environment since the 2009–10 RPP.

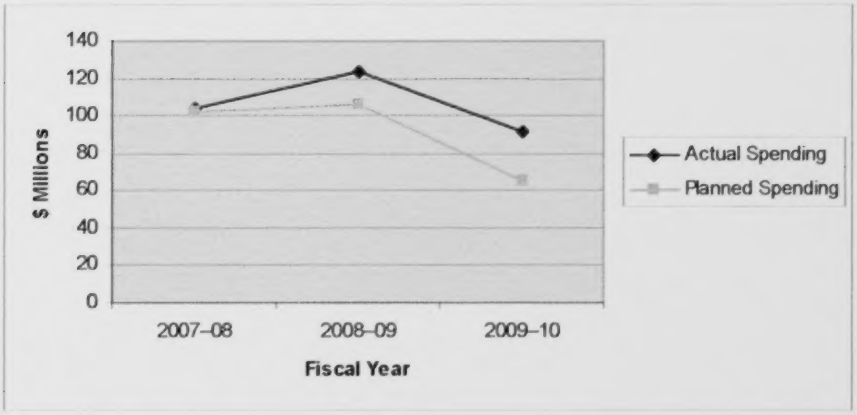
The global economic situation remains fragile. Private sector forecasters do not expect the output lost since the start of the global economic and financial crisis, relative to its pre-recession trend, to be recouped over the medium term. While the global recovery could be stronger than anticipated, there are also some downside risks. A sustained recovery in the global economy, particularly in the United States, and in financial markets may take some time to fully materialize, as weak domestic demand in most major industrialized countries could weigh down economic growth. Large imbalances in a number of countries also continue to pose a risk to global macroeconomic and financial stability and need to be resolved to prevent a disorderly adjustment in the future. Furthermore, markets are increasingly concerned about the fiscal sustainability of a number of countries. The potential of a more generalized sovereign debt crisis could trigger a surge in the overall cost of borrowing, which would act as a further drag on global economic growth.

The H1N1 pandemic was identified as a potential risk to the Department and its ability to deliver on its commitments. The Department depends on its workforce to adapt to new and shifting priorities. To mitigate the risk, management complied fully with departmental pandemic planning requirements to meet policy and operational requirements at all times. The Department took decisive measures, in accordance with direction provided by the Public Health Agency of Canada and the Secretariat's Office of the Chief Human Resources Officer, as it developed its business impact assessment and business continuity plan and communicated information to employees regarding the pandemic.

Expenditure Profile

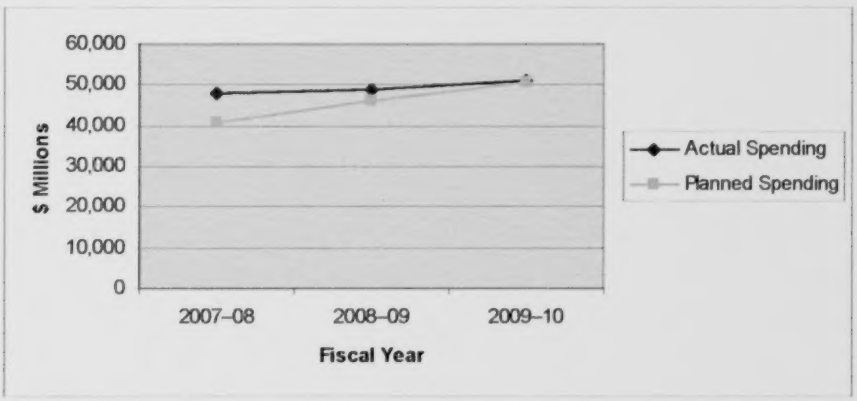
The Department of Finance Canada's actual spending in 2009–10 was $198 billion. The graphs below illustrate the Department's actual spending in comparison to planned spending by program activity from 2007–08 to 2009–10.

Economic and Fiscal Policy Framework
Planned Spending vs Actual Spending



Starting with the 2009–10 Main Estimates, the resources for the Internal Services program activity were displayed separately from other program activities; they are no longer distributed among the remaining program activities, as was the case in previous Main Estimates. This explains the decline in spending in 2009–10 in the Economic and Fiscal Policy Framework program activity. Although expenditures decreased due to the removal of the Internal Services program activity, this decrease was partially offset by the $5-million statutory vote enacted for the Canadian Securities Transition Office and $12 million in increased operating expenditures attributable to advertising programs, the G8 Summit, and the Canadian securities regulator.

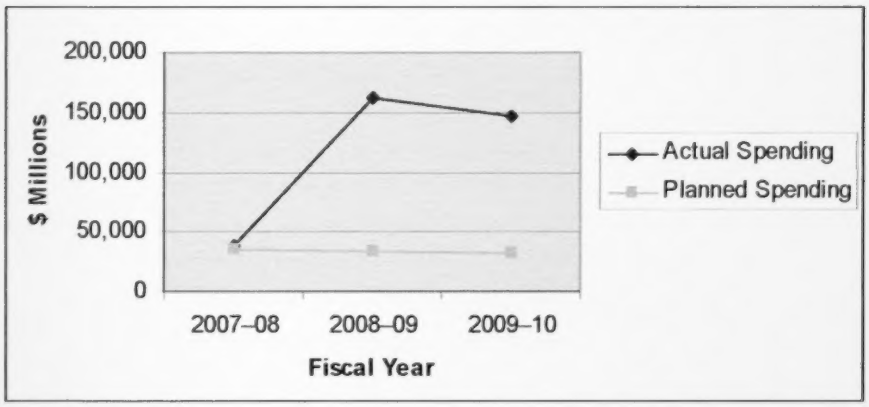
Transfer and Taxation Payment Programs
Planned Spending vs Actual Spending



Expenditures for the Transfer and Taxation Payment Programs program activity increased by slightly less than $3 billion in 2009–10. This was attributable to increases in ongoing statutory votes. The expenditures for the statutory votes that were newly enacted in 2009–10 were offset

by statutory votes that were discontinued in 2008–09. There was little variation in actual spending between 2007–08 and 2008–09 because the increase in ongoing statutory votes spending was almost completely offset by statutory votes that were discontinued at the end of 2007–08.

Treasury and Financial Affairs
Planned Spending vs Actual Spending



Expenditures for the Treasury and Financial Affairs program activity decreased by $15 billion in 2009–10, primarily as a result of a reduction in the gross borrowing requirements of Farm Credit Canada, the Business Development Bank of Canada, and the Canada Mortgage and Housing Corporation. The reduced borrowing requirements, on an aggregate basis, represented $12 billion of the reduction, while the remaining $3 billion reduction was attributable to reduced "Interest and Other Costs" resulting from a significantly reduced interest rate environment in 2009–10.

The increase of $124 billion from 2007–08 to 2008–09 was a direct result of these borrowings. The government announced in Budget 2007 that it would meet all of the domestic borrowing needs of Farm Credit Canada, the Business Development Bank of Canada, and the Canada Mortgage and Housing Corporation through direct lending in order to reduce overall borrowing and improve the liquidity of the government securities market. Before this change, these Crown corporations obtained funding directly through the capital markets under their own name.

Canada's Economic Action Plan

In the 2009–10 fiscal year, the Department of Finance Canada received funding of $2.9 million as part of Canada's Economic Action Plan. Of this allocation, $2.5 million was spent, $2.3 million of which was used to pay for human resources and legal advisory services in the Financial Sector Policy Branch and to support the Advisory Committee on Financing. These figures are included in the total departmental operating expenditures presented as part of Economic and Fiscal Policy Framework program activity.

Voted and Statutory Items

($ thousands)

Vote No. or Statutory Item (S)	Truncated Vote or Statutory Wording	2007–08 Actual Spending	2008–09 Actual Spending	2009–10 Main Estimates	2009–10 Actual Spending
1	Operating expenditures[1]	91,556	111,124	93,603	121,646
5	Grants and contributions[2]	93,377	572,034	331,886	217,332
(S)	Minister of Finance—Salary and motor car allowance	74	76	78	78
(S)	Territorial Financing (Part I.1—*Federal-Provincial Fiscal Arrangements Act*)	2,221,297	2,312,939	2,497,926	2,497,926
(S)	Payments to International Development Association	318,270	318,280	384,280	384,280
(S)	Contributions to employee benefit plans	12,104	11,431	11,549	12,962
(S)	Purchase of Domestic Coinage[3]	182,736	126,368	150,000	133,200
(S)	Interest and Other Costs[4]	33,212,372	29,939,794	31,868,000	27,114,544
(S)	Statutory Subsidies (*Constitution Acts, 1867–1982*, and Other Statutory Authorities)[5]	31,822	31,968	32,000	32,157
(S)	Fiscal Equalization (Part I—*Federal-Provincial Fiscal Arrangements Act*)[6]	12,924,677	13,462,236	16,086,136	14,185,000
(S)	Canada Health Transfer (Part V.1—*Federal-Provincial Fiscal Arrangements Act*)[7]	21,474,272	22,759,015	23,987,062	24,081,039
(S)	Canada Social Transfer (Part V.1—*Federal-Provincial Fiscal Arrangements Act*)[8]	9,590,219	10,567,868	10,860,781	10,857,853
(S)	Youth Allowances Recovery (*Federal-Provincial Fiscal Revision Act, 1964*)[9]	(943,805)	(332,659)	(688,935)	(596,259)
(S)	Alternative Payments for Standing Programs (Part VI—*Federal-Provincial Fiscal Arrangements Act*)[10]	(2,719,889)	(2,973,912)	(3,124,006)	(2,702,590)
(S)	Payment to Ontario (*Budget Implementation Act*, 2007)	250,000	150,000	–	–
(S)	Incentive for Provinces to Eliminate Taxes on Capital (Part IV—*Federal-Provincial Fiscal Arrangements Act*)[11]	–	170,000	123,000	163,400

Vote No. or Statutory Item (S)	Truncated Vote or Statutory Wording	2007–08 Actual Spending	2008–09 Actual Spending	2009–10 Main Estimates	2009–10 Actual Spending
(S)	Payment to Ontario related to Canada Health Transfer[12]	–	–	–	489,058
(S)	Payment to Nova Scotia for Offshore Petroleum Resources[12]	–	–	–	174,500
(S)	Transitional assistance to provinces entering into the harmonized value-added tax framework (Part III.1—*Federal-Provincial Fiscal Arrangements Act*)[12]	–	–	–	250,000
(S)	Transitional Adjustment Payment to Nova Scotia[12]	–	–	–	74,188
(S)	Payments to Canadian Securities Regulation Regime Transition Office (*Canadian Securities Regulation Regime Transition Office Act*)[12]	–	–	–	5,400
(S)	Public Transit Capital Trust 2008[13]	–	500,000	–	–
(S)	Police Officers Recruitment Fund[13]	–	400,000	–	–
(S)	Saskatchewan Carbon Capture and Storage Demonstration Trust[13]	–	240,000	–	–
(S)	Payment to Saskatchewan[13]	–	31,204	–	–
(S)	Payment to Nova Scotia for Carbon Storage[13]	–	5,000	–	–
(S)	Payment to Nunavut[13]	–	705	–	–
(S)	Payment pursuant to the *Halifax Relief Commission Pension Continuation Act*	18	18	–	13
(S)	Payment of liabilities previously transferred to revenue	1,848	2,303	–	2,268
(S)	Net Loss on Exchange[14]	89,177	121,723	–	406,014
(S)	Payment to British Columbia[15]	30,000	–	–	–
(S)	Payment to Yukon[15]	3,500	–	–	–
(S)	Payment to Northwest Territories[15]	54,400	–	–	–
(S)	Clean Air and Climate Change Trust Fund[15]	1,518,925	–	–	–

Vote No. or Statutory Item (S)	Truncated Vote or Statutory Wording	2007–08 Actual Spending	2008–09 Actual Spending	2009–10 Main Estimates	2009–10 Actual Spending
(S)	Patient Wait Times Guarantee[15]	612,000	–	–	–
(S)	Transitional Payments[15]	614,038	–	–	–
(S)	Child Care Spaces[15]	250,000	–	–	–
(S)	Human Papilloma Virus Immunization[15]	300,000	–	–	–
(S)	Community Development Trust[15]	1,000,000	–	–	–
(S)	Refunds of amounts credited to revenue in previous years	36	–	–	18
(S)	Payments to the International Monetary Fund's Poverty Reduction and Growth Facility	–	–	–	–
(S)	Wait Times Reduction Transfer	–	–	250,000	250,000
	Total budgetary	**81,213,024**	**78,527,515**	**82,863,360**	**78,154,027**
L10	In accordance with the *Bretton Woods and Related Agreements Act*, the issuance and payment of non-interest bearing, non-negotiable demand notes in an amount not to exceed $384,280,000 to the International Development Association[16]	318,280	384,280	0	384,280
L12a	Pursuant to section 8 of the *Bretton Woods and Related Agreements Act*, the amount of financial assistance to the International Finance Corporation (IFC) for participation in the Global Trade Liquidity Program, a funded trade finance program, by way of direct payments, shall not exceed, in respect of the period commencing on April 1, 2009, and ending on March 31, 2011, an amount of $200,000 US, which is estimated at $247,840,000 in Canadian dollars on March 27, 2009	–	–	0	216,220

Vote No. or Statutory Item (S)	Truncated Vote or Statutory Wording	2007–08 Actual Spending	2008–09 Actual Spending	2009–10 Main Estimates	2009–10 Actual Spending
L14b	Pursuant to section 8 of the *Bretton Woods and Related Agreements Act*, the amount of financial assistance provided by the Minister of Finance to the International Finance Corporation (IFC) as part of Canada's participation in the G8 Food Security Initiative, by way of direct payments, shall not exceed, in respect of the period commencing on November 1, 2009, and ending on November 1, 2010, an amount of $48,000,000.	–	–	0	48,000
(S)	Payments and encashment of notes issued to the European Bank for Reconstruction and Development—Capital subscriptions	4,334	2,650	1,749	1,638
(S)	Advances pursuant to subsection 12(2) of the *Farm Credit Act*[17]	3,840,000	47,104,810	–	77,136,616
(S)	Advances pursuant to section 19 of the *Business Development Bank of Canada Act*[17]	1,000,000	23,047,000	–	19,222,000
(S)	Advances to the Business Development Bank of Canada with regards to the Canadian Secured Credit Facility (*Business Development Bank of Canada Act*, section 19) (Gross)[17]	–	–	–	3,179,103
(S)	Advances pursuant to subsection 21(1) of the *Canada Mortgage and Housing Corporation Act* (Gross)[17]	–	61,729,821	–	20,038,672
(S)	Advances pursuant to section 13(1) of the *Financial Consumer Agency Act*	4,000	4,000	–	4,000
	Total non-budgetary	**5,166,614**	**132,272,561**	**1,749**	**120,230,529**
	Total Department	**86,379,638**	**210,800,076**	**82,865,109**	**198,384,556**

1. Variance between 2009–10 Main Estimates and 2009–10 actual spending is largely due to $12.0 million in government advertising programs, $5.2 million for the 2010 G8 Summit, $3.9 million for securities regulation and a Canadian securities regulator, $3.0 million to support the review of corporate assets, $2.7 million to improve access to financing and strengthen Canada's financial system, and $1.7 million for the implementation of the Harmonized Sales Tax initiative in Ontario and British Columbia that was received in the Supplementary Estimates.

   Variance in actual spending between 2008–09 and 2009–10 is primarily attributable to spending associated with the 2010 G8 Summit, the review of corporate assets, securities regulation and a Canadian securities regulator, as well as collective bargaining increases.

2. Variance between 2009–10 Main Estimates and 2009–10 actual spending is primarily attributable to the fact that the Republic of Congo, the Democratic Republic of Congo, and the Ivory Coast did not receive anticipated debt-relief payments because they did not achieve the required debt-relief targets, thereby delaying when debt-relief payments are to be made.

   Variance in actual spending between 2008–09 and 2009–10 is attributable to the fact that annual debt-relief payments are determined by the number of countries that complete the debt-relief process and the amount owed to Canada and Canadian agencies. Both these factors fluctuate from year to year as countries move at their own pace through the debt-relief process. Also contributing to the year-over-year variance were the $234 million Crown Shared Adjustment Payment made to Nova Scotia in 2008–09, the one-time additional payment of $98 million in 2008–09 to the World Bank and African Development Fund, and the 2009–10 payment of $108 million to the Toronto Waterfront Revitalization Initiative.

3. Actual spending was less than Main Estimates because the actual demand for coins was lower than forecast.

   Variance between 2008–09 and 2009–10 actual spending is attributable to a slight increase in production volume and higher input costs.

4. Variance between 2008–09 and 2009–10 actual spending is attributable to a significantly lower interest rate environment in 2009–10.

5. Variance between planned spending and actual spending in 2009–10 is due to the fact that the planned spending amount was an estimate. These payments are computed twice per fiscal year and are based on population.

   Variance between 2008–09 and 2009–10 actual spending is attributable to a change in the population data used to calculate these payments—population is updated twice per fiscal year.

6. Variance between 2008–09 and 2009–10 actual spending is attributable to a new formula that bases aggregate payments on a three-year moving average of nominal GDP growth.

7. Variance between 2008–09 and 2009–10 actual spending is attributable to the annual 6-per-cent transfer payment escalation, transition protection funding introduced in Budget 2007, as well as different yearly amounts for deductions under the *Canada Health Act*.

8. Variance between 2008–09 and 2009–10 actual spending is attributable to the annual 3-per-cent transfer payment escalation and to the fall 2009 updates to the amounts for transition protection funding introduced in Budget 2007.

9. Variance between 2008–09 and 2009–10 recovery is attributable to Quebec making a payment in 2007–08 toward its 2008–09 obligation as well as to changes in the value of tax points used to calculate the recovery.

10. Variance between 2008–09 and 2009–10 recovery is attributable to the value of the estimated tax points being lower in 2009–10.

11. Variance between 2008–09 and 2009–10 actual spending is attributable to the change in the amount of forgone provincial capital tax revenue that is eligible for the incentive payment.

12. Statutory votes were established in 2009–10; therefore, there is no previous fiscal year against which to compare.

13. Transfer payments were established in Budget 2008 as one-time payments; therefore, there is no other fiscal year against which to compare.

14. Increase in losses resulting from revaluation of assets and liabilities denominated in foreign currencies to the Canadian dollar.

15. Statutory vote discontinued at the end of 2007–08.

16. Loan note listed in the Main Estimates as a $1 item. Authority is in note wording.

17. The Government of Canada announced in Budget 2007 that it plans to meet all of the domestic borrowing needs of Farm Credit Canada, the Business Development Bank of Canada, and the Canada Mortgage and Housing Corporation through direct lending beginning April 1, 2008. Changes in actual spending from 2008–09 to 2009–10 reflect a net reduction in the combined gross borrowings by the Crown corporations.

Section II: Analysis of Program Activities by Strategic Outcome

The following section describes the Department of Finance Canada's program activities and identifies their expected results, performance indicators and targets. It also provides the performance status of each expected result and presents a performance summary. The section also identifies the financial and non-financial resources the Department planned to use and the actual resources used during the fiscal year. All program activities of the Department of Finance Canada are linked to its single strategic outcome.

Program Activity 1.1: Economic and Fiscal Policy Framework

This program activity reflects the main function of the Department, which is to develop policies and provide advice and recommendations to the Minister of Finance. Advice and policy development in the areas of economic, fiscal and social policy, corporate finance, federal-provincial-territorial relations, financial affairs, taxation, and international trade and finance help the federal government deliver its annual budget and contribute to building a strong and sustainable economy. The work conducted in this program area involves extensive research, analysis, and consultation and collaboration with partners in both the public and private sectors.

Program Activity: Economic and Fiscal Policy Framework					
2009–10 Financial Resources ($ millions)			**2009–10 Human Resources (FTEs)**		
Planned Spending	**Total Authorities**	**Actual Spending**	**Planned**	**Actual**	**Difference**
65.1	99.7	90.8	477	517	40

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Effective management of the government's fiscal framework	Budgetary balance	Respect Budget 2009 projections for return to budgetary surplus	Successfully met	Budget 2010 set out a three-point plan to return to balance over the medium term, when the economy has recovered. The government remains on track to meet this objective.
	Debt-to-GDP ratio	Keep program spending growth in line with Budget 2009 initiatives	Successfully met	A key element of Budget 2010's plan to return to balance is ensuring that temporary stimulus measures end as scheduled in Budget 2009.

Canada has a sound, efficient, and competitive financial sector	Soundness, efficiency, and competitiveness of Canada's financial sector	Healthy, stable financial sector that serves the needs of Canadians	Successfully met	The Canadian financial system was resilient during the financial crisis and continued to be seen internationally as a model of sound, prudent management. This was demonstrated by the World Economic Forum's ranking of Canada's banking system as the soundest in the world for two consecutive years. As well, the International Monetary Fund (IMF) commented in 2009 that Canada's financial sector showed "remarkable stability amid the global turbulence, thanks in good part to strong supervision and regulation." To support the financial system during the crisis, the Government of Canada took unprecedented action to improve the availability of financing to households and businesses in Canada. Further, under Canada's leadership at the G7 and G20 and active participation in other international forums such as the Financial Stability Board, continued progress on key elements of the international financial reform agenda was made.
Canada has a competitive, efficient, and fair tax system	Competitiveness, efficiency, and fairness of Canada's tax system	Tax system that raises the required revenue in a manner that compares favourably to other G7 countries	Successfully met	In 2010, as a result of federal and provincial tax changes, Canada's overall tax rate (i.e., marginal effective tax rate) on new business investment will be the lowest in the G7 and below the average of the OECD. In addition, Budget 2010 introduced a number of tax measures aimed at reducing red tape for businesses, improving

				Canada's international tax system to attract new investment, and making the tax system fairer by closing tax loopholes. These measures support Budget 2010's objectives of contributing to the global recovery and sustaining Canada's economic advantage. They also support the objectives set out in *Advantage Canada*, the Government of Canada's long-term economic plan.

Performance Analysis

A key priority over the 2009–10 fiscal year was the effective and timely implementation of Canada's Economic Action Plan, including accountability measures and reporting on progress. The Economic Action Plan, announced in Budget 2009, is a two-year, $62-billion plan to protect and create jobs in response to the deepest global recession since the Second World War. The Economic Action Plan provides substantial, targeted stimulus measures, including strengthened benefits and increased skills development opportunities for workers and significant investments to stimulate the housing sector, aimed at addressing the short-term impacts of the global economic downturn and ensuring that Canada emerges from the downturn in a stronger position.

The Department of Finance Canada coordinated with other central agencies and departments to ensure the speedy and efficient delivery of resources allocated under the Economic Action Plan. In 2009–10, the first year of the Plan, $28 billion was provided to support the economy and Canadians, augmented by a further $8 billion from provinces, territories, municipalities, and other partners. An economic recovery in Canada began in mid-2009, in large part supported by the stimulus in the Economic Action Plan.

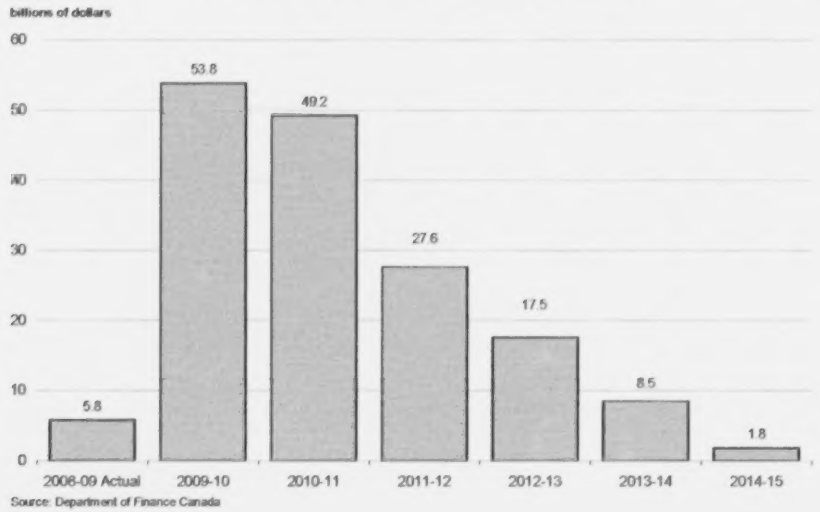
With Budget 2010, the Department put forth a plan to secure Canada's economic recovery and the return to budgetary balance as the economy improves. Measures announced in Budget 2010 include the following:

- commitment of $19 billion in new federal stimulus under Year Two of Canada's Economic Action Plan to create and maintain jobs, complemented by $6 billion from provinces, territories, municipalities, and other partners;
- investment in a limited number of new, targeted initiatives to create jobs and build growth for the economy of tomorrow, strengthen Canadian innovation, and make Canada a destination of choice for new business investment;

- one-time total transfer protection to provide provinces with as much support through the major transfers in 2010–11 as in 2009–10, in recognition of the short-term challenges provinces face as Canada emerges from the global recession; and
- a plan to bring Canada's finances back to balance over the medium term and well before any other G7 country.

The following chart shows the projected deficits for 2009–10 and the next five fiscal years. The deficit is projected to be cut by almost half, from $53.8 billion in 2009–10 to $27.6 billion in 2011–12. This significant drop in the deficit, for the most part, reflects the Government of Canada's commitment to ensure that Action Plan stimulus measures expire as scheduled on March 31, 2011. The deficit is projected to be cut by two-thirds, from $53.8 billion in 2009–10 to $17.5 billion in 2012–13, and to decline to just $1.8 billion by 2014–15.

Projected Federal Budgetary Deficit

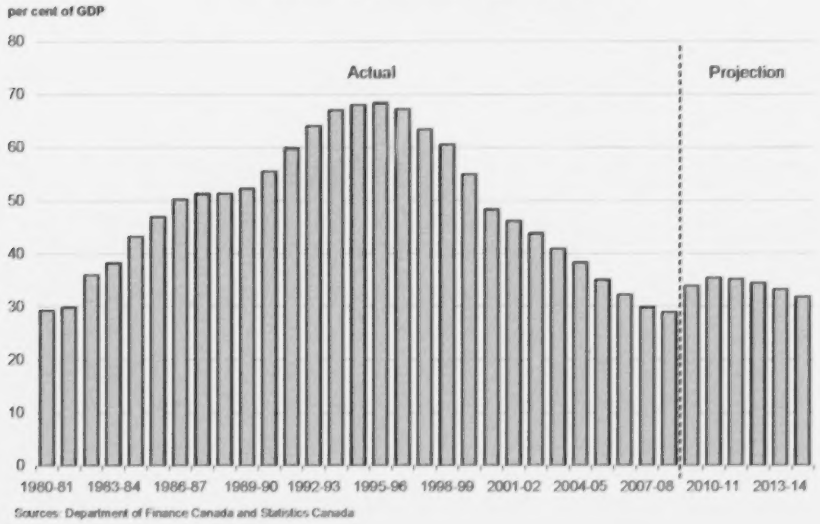


Source: Department of Finance Canada

An important measure of fiscal sustainability is the debt burden as measured by the debt-to-GDP ratio. Reductions in the debt burden in recent years have provided Canada with the flexibility to put in place significant measures to support the economy.

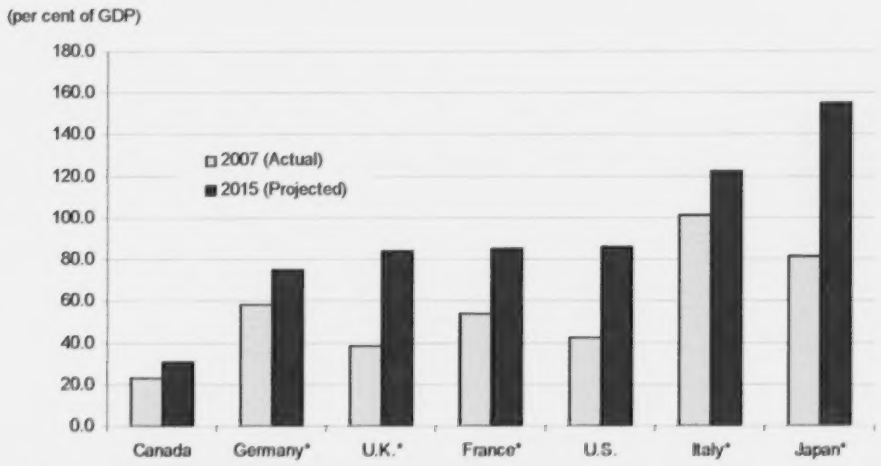
The following chart shows that the federal debt, measured in relation to the size of the economy, was projected to increase from 29 per cent of GDP in 2008 to a peak of 35.4 per cent in 2010–11.

Federal Debt-to-GDP Ratio



The total government net debt-to-GDP ratio in Canada is the lowest of all G7 countries and will continue to be so over the medium term. In fact, by 2014, Canada's debt-to-GDP ratio is expected to be proportionately much lower in relation to other G7 countries than it is now, as shown in the following chart.

Total Government Net Debt-to-GDP Ratio



* Projections do not include the recently announced fiscal austerity plans released in May and June 2010.

Source: International Monetary Fund, *Fiscal Monitor*, May 14, 2010

In 2009–10, the Department also worked to strengthen the regulatory framework of financial institutions. Canada's financial system is stable, well-capitalized, and underpinned by one of the most effective regulatory frameworks in the world. Nevertheless, the Department developed prudent legislative measures to enhance the government's ability to safeguard financial stability and to ensure that it is equipped with a broad range of flexible tools to address problems as they arise.

The Department implemented new authorities through Budget 2009 that allow the government to inject capital into federally regulated financial institutions if needed and the Minister of Finance to enter into transactions that promote financial stability and maintain efficient and well-functioning markets. The Department also implemented measures to provide the Canada Deposit Insurance Corporation with greater flexibility to bolster its ability to safeguard financial stability in Canada.

The Department successfully put in place measures to provide up to $200 billion through the Extraordinary Financing Framework (EFF) to mitigate the impact of the global credit crunch on Canadian financial institutions, consumers, and businesses. Major EFF measures included:

- the Insured Mortgage Purchase Program, which provided some $69 billion in term financing to banks;
- assurance facilities for banks and insurance companies;
- the Canadian Secured Credit Facility;
- support for the Bank of Canada's emergency liquidity measures; and
- increased flexibilities and capacities for financial Crown corporations, including the Business Credit Availability Program (BCAP).

The Department also supported the Advisory Committee on Financing, a new committee that is part of the comprehensive package of measures the government put in place in Canada's Economic Action Plan to ensure the availability of financing to Canadian businesses and consumers, to support the economy, and to encourage growth.

Credit conditions during the year improved significantly, as the extraordinary support measures achieved their goal. Most measures, with the exception of BCAP, ended by March 31, 2010.

In the international context, Canada became the chair of the G7 and took on a leadership role within the G20, for which financial sector reform is a key pursuit. Canada hosted a meeting of G7 Finance Ministers and Central Bank Governors in Iqaluit in February 2010, the G8 Leaders Summit in Muskoka in June 2010, and the G20 Leaders Summit in Toronto in June 2010. The Department contributed to G20 agreements on IMF governance reforms as well as provided ongoing analysis of IMF/World Bank operations. On an ongoing basis, the Department, along

with other federal agencies such as the Office of the Superintendent of Financial Institutions and the Bank of Canada, actively participated in the work of the Financial Stability Board.

The Department continued to support open markets through the negotiation of trade and investment agreements, including implementation of trade agreements with Colombia, Panama, and Jordan, while also supporting the conclusion of multilateral trade negotiations. With respect to trade finance, the Department contributed to and advised on the emergency $250 billion in trade financing made available by G20 countries during the economic crisis[1] and also participated in the Global Trade Liquidity Program. The Department continued its work with other departments to implement the Aid Effectiveness Agenda, which, as announced in 2009–10, focuses 80 per cent of Canada's aid on 20 priority countries and 5 thematic priorities. The Department has also led the development of innovative financing tools for international assistance, worked to strengthen the capacity of multilateral development banks, and assumed a leadership role in the World Bank's Debt Management Facility.

In setting up the Canadian Securities Transition Office (CSTO) and the Advisory Committee of Participating Provinces and Territories, the Department continued to support the Government of Canada's long-standing priority of establishing a single Canadian securities regulator. The Department supported the CSTO in developing a proposed *Canadian Securities Act*. The new Canadian securities regulator will offer significant benefits to all Canadians, such as providing better and more consistent protection for investors across Canada.

In 2009–10, consumers of financial products were supported by the establishment of an independent task force to make recommendations to the Minister of Finance on a national strategy on financial literacy. In addition, the Minister of Finance developed new credit card rules to limit business practices that are not beneficial to consumers and provide clear and timely information to Canadians about credit cards.

Significant action was also taken by the Minister of Finance in 2009–10 to strengthen the payments system. On November 19, 2009, in response to issues raised by stakeholders in the debit and credit card markets, the Government of Canada released a proposed Code of Conduct for the Credit and Debit Card Industry in Canada. The Code aims to promote fair business practices and ensure that merchants and consumers clearly understand the costs and benefits associated with credit and debit cards.

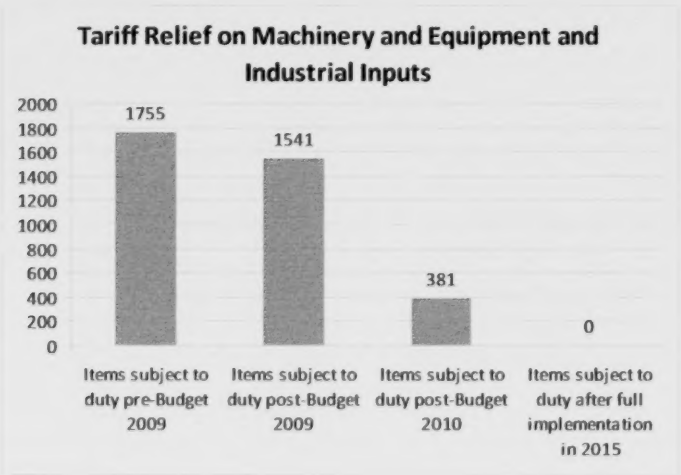
In support of sound social policy, the Department has been engaged in a serious discussion with Canadians on pensions and pension security over the past year. Moreover, concrete action has been taken to strengthen Canada's retirement income system. As there is a need to work with provincial and territorial partners to examine the larger retirement income concerns facing

1. http://www.g20.org/Documents/g20_trade_finance_experts_august_report_v1.pdf

Canadians, the issue was raised at the annual meeting of Finance ministers in late 2008 and, in May 2009, ministers set up a federal-provincial-territorial research working group to conduct an in-depth examination of retirement income adequacy. The Research Working Group's summary report, which confirms the relative strength of Canada's retirement income system, was presented to Finance ministers at their December 2009 meeting. While acknowledging the strength of Canada's retirement income system, ministers tasked senior officials to work collaboratively to analyze the wide range of ideas that have been put forward to ensure the ongoing strength of the retirement income system for future generations of Canadians. Broad public consultations were launched through an online consultation paper in March 2010.

The Department also continued to deliver on its lead responsibilities for Canada's anti–money laundering and anti–terrorist financing regime, actively contributing to the work of the Financial Action Task Force (FATF) in strengthening its standards and their global implementation in support of the efforts of G20 Leaders to protect the integrity of the global financial system.

To promote the competitiveness and productivity of Canadian companies, the Department developed, consulted on, and implemented the Budget 2010 initiative to make Canada a tariff-free zone for industrial manufacturers. This initiative eliminated all remaining tariffs on manufacturing inputs and machinery and equipment (see chart), which will increase investment, create jobs, improve innovation and productivity, lower prices for consumers, and increase overall prosperity for Canadians. The elimination of these tariffs is expected to result in the creation of up to 12,000 jobs over time.



Improving tax competitiveness, efficiency, and fairness

Budget 2010 introduced measures that are helping to improve the competitiveness, fairness, and efficiency of the tax system, raise standards of living, fuel job creation, and increase investment in Canada. A continued federal commitment to reduce corporate income tax rates and complementary efforts by provinces and territories are delivering real progress toward the government's goal of a 25-per-cent combined federal-provincial corporate income tax rate, which is helping to improve Canada's competitiveness.

Budget 2010 also proposed a narrowed definition of taxable Canadian property, which applies to certain types of Canadian property held by non-residents. This change will eliminate the need for tax reporting under section 116 of the *Income Tax Act*, thereby improving the ability of Canadian businesses to attract foreign venture capital.

The Government of Canada also introduced a number of initiatives in Budget 2010 intended to protect the integrity of the Canadian tax system. By closing loopholes in the tax system, these initiatives will help ensure that all taxpayers pay their fair share of tax on income earned in Canada and abroad. Another initiative in the budget will strengthen the capacity of the Canada Revenue Agency to address aggressive tax planning and compliance risks, which have the potential to erode the tax base, and to fight against tax evasion. Taken together, these initiatives help protect the government's revenue base and are consistent with its ongoing commitment to tax fairness.

Finally, Budget 2010 took actions to improve the fairness and efficiency of the personal income tax system. In particular, a number of measures were introduced to address tax planning concerns, including measures to strengthen the tax treatment of employee stock option benefits. Other Budget 2010 measures included:

- improvements to the Registered Disability Savings Plan to help parents and family members provide long-term financial security for a severely disabled child; and
- significant reforms to the disbursement quota to reduce administrative complexity and better enable charities to focus their time and resources on charitable activities.

In 2009–10, as a result of decisions by Ontario and British Columbia to enter into the harmonized value-added tax framework, the Department worked with both provinces to conclude two new Comprehensive Integrated Tax Coordination Agreements (CITCAs) that would see the HST take effect in these provinces on July 1, 2010.

Lessons Learned

In 2008 and 2009, the global economic situation deteriorated markedly, and the impact of the global recession has been broadly felt in the Canadian economy. The current economic situation highlights the importance of putting in place sound structural policies that can help

mitigate the negative risks to the economy and, in particular, the importance of having sound fiscal fundamentals.

Recent economic indicators show that Canada's Economic Action Plan, through its targeted and temporary stimulus measures, played an important role in boosting confidence and economic growth and protecting Canadian jobs and incomes. The Economic Action Plan's mixture of infrastructure investments, labour market support measures, permanent tax cuts, and support for the most affected industries and communities was successful in stimulating domestic demand for products and services and was an appropriate fiscal response to the economic crisis in Canada. Canada would not have been able to undertake such a plan without its strong fiscal position. The global economic crisis emphasizes the importance of maintaining and bolstering Canada's solid fiscal fundamentals and the necessity to restore fiscal balance over the medium term.

The global financial crisis continues to impart important lessons to governments around the world about the composition, behaviour, and regulation of the financial sector. Canada needs to remain an integral part of coordinated international initiatives to re-establish a well-functioning global financial system and to help prevent future crises. The global reform agenda is expected to require significant departmental resource commitments over the next few years to monitor and address systemic risks in the economy.

Response to recommendations made in the 2009 Fall Report of the Auditor General of Canada *concerning technical income tax amendments*

In Chapter 3 of the Auditor General's fall 2009 report, entitled "Income Tax Legislation," a number of recommendations were made to the Department of Finance Canada regarding processes for recording, tracking, and prioritizing technical income tax amendments and for addressing a backlog of technical amendments that have been proposed but not enacted.

The Department has responded by consolidating its inventory of outstanding technical changes and updating its existing database to reflect this. It has begun a project to implement a more user-friendly and comprehensive database and anticipates that by March 31, 2011, all existing data will be transferred to the new database and it will be consistently used and updated by all officers.

As the Government of Canada indicated in the action plan that was developed in response to the Auditor General's report, the Department will continue to work toward ensuring that necessary technical amendments are put forward for consideration on a regular and timely basis. As such, the Department will consider recommending the release of smaller packages of draft technical income tax amendments on a regular basis in order to make the process more manageable and efficient. Moreover, the Department will consider the possibility of recommending the release of such packages before Parliament has passed previously tabled technical amendments.

Response to recommendations made in the 2009 Spring Report of the Auditor General of Canada *concerning tax overpayments by corporations*

In Chapter 4 of her spring 2009 report, entitled "Interest on Advance Deposits from Corporate Taxpayers," the Auditor General raised concerns about interest paid on tax overpayments by corporations. In response, the Department proposed in Budget 2010 to reduce by two percentage points the interest rate payable by the Minister of National Revenue to corporations. Effective July 1, 2010, the interest rate will be set at the average yield of three-month Government of Canada Treasury Bills sold in the first month of the preceding quarter, rounded up to the nearest percentage point.

Benefits for Canadians

The Department's work in the Economic and Fiscal Policy Framework program area ensures that Canada's economic performance and future prosperity are based on coherent policies and measures that are developed through strategic research and analysis of issues of interest to Canadian taxpayers and businesses. Canadians benefit from the development of strategies that are tailored to the country's situation and capacity. Such strategies enable Canada to better respond to various economic shocks so the costs of government spending are not passed on to future generations. Canadians also benefit from a sound and stable financial sector that supports the savings and investment needs of individuals and businesses as well as the economy as a whole.

Program Activity 1.2: Transfer and Taxation Payment Programs

The Department of Finance Canada's mandate includes the administration of transfer and taxation payments to provinces and territories and taxation payments to Aboriginal governments. In accordance with legislation and negotiated agreements, the Department provides fiscal equalization and support for health and social programs and other shared national priorities. Also included in this program area are the Department's commitments to and agreements with international financial institutions aimed at aiding the economic advancement of developing countries. This program activity also includes payments to Canadian organizations for the development of social and cultural infrastructure in Toronto's waterfront area.

Program Activity: Transfer and Taxation Payment Programs					
2009–10 Financial Resources ($ millions)			2009–10 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
50,743.5	51,437.2	51,223.2	12	8	-4

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Payments to support Canadian provinces in providing their residents with public services; payments to international organizations to promote the economic advancement of developing countries	Payments are made on time and according to levels and formulas set out in legislation	100 per cent	Successfully met	The transfer and taxation payments to Canadian provinces, territories, and Aboriginal governments were all made on time and according to levels and formulas set out in legislation or tax agreements.

Performance Analysis

Transfer programs

The Department's work in 2009–10 to ensure the continued delivery of timely and accurate transfer payments totalling over $51 billion to the provinces and territories—including Equalization, Territorial Formula Financing, the Canada Health Transfer, and the Canada Social Transfer—helped to support the delivery of public services, universally accessible health care services, post-secondary education, and social programs, among other targeted areas. To meet this commitment, the Department worked closely with Statistics Canada to ensure that the best available data were used in the determination of transfer payments. In addition, measures of fiscal capacity were updated where required to account for evolving provincial and territorial taxation practices.

Over the 2009–10 fiscal year, the Department also focused on implementing the new transfer arrangements flowing from Budget 2009 and Budget 2010 through the preparation and adoption of the required regulatory and legislative amendments.

Tax collection agreements and negotiations with Aboriginal governments

To meet the Government of Canada's commitment to ensuring that agreements with the provinces and territories meet policy and administrative objectives, corporate tax payments under the agreements were advanced in 2009–10. As well, the Department continued negotiations and initiated several new negotiations with Aboriginal governments on the First Nations goods and services tax (FNGST).

Payments of GST/HST revenues

The Department estimated and allocated each of Newfoundland and Labrador, Nova Scotia, and New Brunswick's share of the GST/HST revenues under the terms of the Comprehensive Integrated Tax Coordination Agreements (CITCAs). Work was also undertaken to integrate Ontario and British Columbia into the revenue allocation framework, following signature of two

new CITCAs in 2009. The Department also worked closely with the Canada Revenue Agency and Statistics Canada to refine the underlying data and methodologies.

Canada's participation in Debt Relief Initiatives

In compliance with the Treasury Board *Policy on Evaluation's* requirement that all grants and contributions programs be evaluated once every five years, the Department's Internal Audit and Evaluation conducted an evaluation of Canada's participation in Debt Relief Initiatives. The evaluation found that the mandate and strategic objectives of Canada's participation in the Debt Relief Initiatives continue to be relevant. In addition, the administration of the program and the use of the transfer payment system for International Debt Relief were found to be efficient, having little duplication and resulting in fairly low costs. The project was found to be functioning well overall, and no major changes to the design or delivery were required.

Toronto Waterfront Renewal

The Department continued to administer the two separate but linked contribution programs related to the Toronto waterfront: the Toronto Waterfront Revitalization Initiative (TWRI) and the Harbourfront Centre Funding Program (HCFP). At the end of the 2009–10 fiscal year, most federally funded projects under the TWRI had been completed and had provided increased public accessibility to and usage of the waterfront area, revitalized urban infrastructure, and improved environmental management of the waterfront area. The HCFP provided funding to Harbourfront Centre to help cover the organization's administrative and operational costs as a means of facilitating its ability to leverage funding from other governments and pursue other revenue-generating strategies.

Lessons Learned

The Department will continue to strive to attain the program activity's target of 100-per-cent accurate and timely transfer of funds to the provinces and territories. Improvements to models will continue to allow the Department to respond in a timely, more transparent manner to information requests about the computation of transfer payments.

While the Government of Canada has taken steps to improve provincial-territorial engagement, transparency in transfer payment programs has continued to be a challenge. In the past, the need to take quick action to ensure the ongoing fairness, sustainability, and predictability of federal transfers, coupled with the complexity of the transfer system, has often precluded meeting the expectations of provinces, territories, and other interested parties for more extensive advance consultations. Given that the legislation governing all major transfers will expire at the end of 2013–14, efforts to enhance transparency and improve provincial-territorial engagement will become even more important and will help ensure that the federal-provincial-territorial environment is amenable to productive, technical discussions when renewing fiscal arrangements. The Department will continue to build capacity on transfer renewal and enhance

efforts to work with provincial and territorial counterparts on technical issues aimed at improving the efficiency, equity, accuracy, and transparency of major transfers.

Benefits for Canadians

The Department's work in 2009–10 to ensure the continued delivery of timely transfer payments to the provinces and territories—such as Equalization, Territorial Formula Financing, the Canada Health Transfer, and the Canada Social Transfer—helped to support the delivery of public services, universally accessible health care services, post-secondary education, and social programs, among other targeted areas.

During 2009–10, the Department effectively administered tax collection agreements with the provinces and territories and tax administration agreements with Aboriginal governments, making accurate and timely payments. Tax collection agreements with the provinces and territories allow the federal government to streamline service and reduce administrative costs by having a single tax form and a single tax collector. To support Aboriginal self-government, tax administration agreements with Aboriginal governments allow the federal government to vacate a negotiated portion of its GST and personal income tax room, to share it with Aboriginal governments, and to administer Aboriginal tax regimes.

Program Activity 1.3: Treasury and Financial Affairs

This program area provides direction for Canada's debt and reserves management activities, including the payment of debt service costs and investments in financial assets needed to maintain a prudent liquidity position. This program supports the ongoing refinancing of government debt coming to maturity, the execution of the budget plan, and other financial operations of the government, including governance of the borrowing activities of major government-backed entities such as Crown corporations. This program activity also includes oversight of the system for circulating Canadian currency (bank notes and coins) to meet the needs of the economy.

Program Activity: Treasury and Financial Affairs					
2009–10 Financial Resources ($ millions)			2009–10 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
32,389.7	147,021.9	147,021.9	30	24	-6

Expected Results	Performance Indicators	Targets	Performance Status	Performance Summary
Prudent and cost-effective management of government's treasury activities and financial affairs	Consultations with market participants	Timely and useful input obtained for the debt management strategy	Successfully met	A series of consultations were undertaken. Views expressed by market participants were taken into consideration in the development of the debt management strategy.
	Required authorities obtained and risk limits respected	Governor in Council (GIC) approval of aggregate borrowing limit; exposure limits respected; action taken where warranted	Successfully met	All required authorities were obtained and borrowings were within GIC-approved borrowing limits.
	Debt Management Strategy, *Debt Management Report*, and annual *Report on the Management of Canada's Official International Reserves*, which support transparency and accountability	Timely and useful information for Parliament and the public; reports tabled within the deadlines established under the *Financial Administration Act* and *Currency Act*	Successfully met	The Debt Management Strategy, *Debt Management Report*, and annual *Report on the Management of Canada's Official International Reserves* were tabled within the deadlines established under the *Financial Administration Act*.
	Successful operations	Effective operations ensuring sufficient funds are available to support government and Crown operations	Successfully met	All bill and bond operations were fully covered and raised their allocated amount of funding.

Performance Analysis

The 2009–10 federal debt strategy, prepared by the Department in conjunction with the Bank of Canada and published with Budget 2009, addressed a significant increase in financial requirements. These included fiscal stimulus measures and Extraordinary Financing Framework (EFF) measures under Canada's Economic Action Plan, most notably the provision of some $69 billion in term funding through the Insured Mortgage Purchase Program.

To implement the EFF, the Department worked closely with major financial Crown corporations, including the Canada Mortgage and Housing Corporation, Export Development Canada, and the Business Development Bank of Canada. The Department also provided support and direction to other federal entities that engage in borrowing and lending activities backed by the full faith and credit of the government, in particular through publication of the revised *Minister of Finance Financial Risk Management Guidelines for Crown Corporations*.

In terms of currency and coinage, the Government of Canada announced in Budget 2010 that it was taking steps to modernize Canada's currency and protect it against counterfeiting. The introduction of a new series of bank notes by the Bank of Canada will begin in 2011. These bank notes will have increased security features and will be printed on a polymer material, which lasts significantly longer than the current cotton-based paper, thereby reducing production costs and the impact on the environment. The Government of Canada also announced that it was planning to change the composition of the $1 and $2 coins using the Royal Canadian Mint's less expensive, patented multi-ply plated steel technology.

Lessons Learned

The Government of Canada has successfully undertaken substantial new borrowing to finance its plan to stimulate the economy and improve access to credit. Debt securities issued to fund these measures have found a ready and diversified investor base thanks to Canada's strong fiscal position, combined with a long-standing policy of maintaining a liquid, well-functioning securities market.

Benefits for Canadians

Managing public debt effectively helps keep public debt costs low and financial markets functioning well. Fiscal savings from debt management better position Canada to weather economic storms and improve intergenerational equity by ensuring that future generations do not have to pay for the benefits received by their predecessors.

Program Activity 1.4: Internal Services

This program area enables the Department to deliver its management agenda and covers a variety of activities: departmental governance; legal services; public affairs and communications; internal audits and evaluations; and corporate services, which include human resources, financial

management, facilities and asset management, information management, and information technology services.

Program Activity: Internal Services					
2009–10 Financial Resources ($ millions)			2009–10 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
42.6	52.7	48.6	246	255	9

Performance Analysis

In 2009–10, the Department continued to implement its 2008–11 Integrated Human Resources Plan and 2009–10 Human Resources Action Plan, focusing its attention on three priority areas: recruitment, employee development, and employee retention.

The Department implemented several strategies to mitigate the risk of having a shortage of employees who possess the required qualifications to fulfill the Department's mandate. These strategies are as follows:

- the development and implementation of branch-level staffing plans to identify and fill key positions and forecast upcoming staffing requirements;
- the Department's University Recruitment Program to attract economists; and
- the 2009–10 Human Resources Action Plan, which identified 47 specific activities to support 4 areas of strategic importance: planning, recruitment, development and retention, and enabling infrastructure.

The Department recognized the need to continue its strong support for employee learning, development, and retention. In addition to supporting formal training for employees, key initiatives successfully developed and/or implemented include the following:

- the University Recruitment Transitioning Program, which matches Department of Finance Canada employees to new recruits prior to their employment;
- an Administrative Services Committee, which supports the developmental aspirations of administrative professionals;
- training for all executives on EX staffing and values-based appointments; and
- employment equity and diversity training sessions.

Following the successful implementation of dedicated departmental corporate administrative services in the Department in February 2009, the Department of Finance Canada and the Treasury Board of Canada Secretariat jointly undertook a review of selected corporate services provided by the Secretariat to Finance in a shared services environment to determine whether

any adjustments would be required. As a result of this review, it was decided that the Department of Finance Canada would establish, effective April 1, 2010, its own internal capacity for compensation and benefits services within the Corporate Service Branch. Changes were also made to asset and environmental management services and to the security functions related to special events such as federal budgets, G8 and G20 summits, and federal/provincial Finance ministers' meetings.

With the introduction of Canada's Economic Action Plan, the Internal Audit and Evaluation Division updated its risk-based audit plan to include an internal audit of the Economic Action Plan in July 2009. The Division also conducted an audit of the security of information, an audit of risk management, and a follow-up audit to Human Resources and Skills Development Canada's 2005 audit of the Toronto Waterfront Revitalization Initiative. The Department's Audit and Evaluation Committee provides the Deputy Minister with independent advice regarding the sufficiency, quality, and results of assurance on the functioning of the department's risk management, control, and governance frameworks and processes, including all departmental activities related to internal audit and evaluation.

The Department also conducted two evaluations of grants and contributions programs in 2009–10: an evaluation of the Research and Policy Initiatives Assistance Program and an evaluation of Canada's participation in International Debt Relief Initiatives.

In February 2009, the Department of Finance Canada implemented a departmental Conflict of Interest Code. The recently established Office of Values and Ethics will develop, implement, monitor, and ensure the continuous improvement of frameworks, plans, and processes to meet the obligations of new legislation and policies, including the Conflict of Interest Code. All confidential reports received from employees underwent thorough review and analysis, and corrective action was taken where necessary to ensure compliance with the Code.

Lessons Learned

As part of the 2009–10 integrated business planning process, the Department developed a number of innovations to enhance its human resources planning processes. Improved tools and documents provided branch management teams with better information and analysis on which to base workforce planning decisions. Improved templates also facilitated the reporting of human resources planning information. The development of the 2010–11 Human Resources Action Plan drew once again on a wide range of internal and external sources, including results of the 2008 Public Service Employee Survey and results of the Department's assessment under the Management Accountability Framework.

Benefits for Canadians

The Department of Finance Canada plays an important role in promoting a strong and sustainable Canadian economy. Success in this respect depends on the quality and timeliness of

the Department's economic analysis and policy advice, which in turn are supported by the Department's internal services. Efficient and effective departmental management is also necessary to ensure that the financial and material resources Parliament provides to the Department are used appropriately and that competent personnel are in place to carry out the Department's mandate. Canadians benefit from the fact that the Department of Finance Canada's communications, legal services, human resources, information technology, and other internal services all contribute to these objectives.

Section III: Supplementary Information

Financial Highlights

($ thousands)			
Condensed Statement of Financial Position At March 31, 2010	**% Change**	**2008–09**	**2009–10**
Assets			
Financial assets	+8%	143,915,197	155,024,680
Non-financial assets	+47%	124,094	182,497
Total	**+8%**	**144,039,291**	**155,207,177**
Liabilities	+10%	523,766,016	576,684,382
Equity	+11%	(379,726,725)	(421,477,205)
Total	**+8%**	**144,039,291**	**155,207,177**

($ thousands)			
Condensed Statement of Financial Operations At March 31, 2010	**% Change**	**2008–09**	**2009–10**
Expenses	+8%	76,728,369	82,821,083
Revenues	-6%	5,439,058	5,088,439
Net Cost of Operations	+9%	**71,289,311**	**77,732,644**

Financial Statements

The Department of Finance Canada's *Financial Statements (Unaudited) for the Year Ended March 31, 2010*, can be found on its website.[2]

Material changes to the Statement of Financial Position and Statement of Operations are described in Section 1.4 of the Annex to the Statement of Management Responsibility included in the Department's Financial Statements.

2. http://www.fin.gc.ca/afc/pp-pr-eng.asp

List of Supplementary Information Tables

- Sources of Respendable and Non-Respendable Revenue
- Details on Transfer Payment Programs
- Horizontal Initiatives
- Green Procurement
- Response to Parliamentary Committees and External Audits
- Internal Audits and Evaluations

These supplementary information tables can be found on the Treasury Board of Canada Secretariat's website.[3]

The Sustainable Development Strategy is available on the Department of Finance Canada's website.[4]

3. http://www.tbs-sct.gc.ca/dpr-rmr/2009-2010/index-eng.asp
4. http://www.fin.gc.ca/purl/susdev-eng.asp